

## MEMORANDUM



**DATE:** August 4, 2005, as corrected August 19, 2005  
**TO:** House Appropriations Subcommittee on Transportation  
**FROM:** William E. Hamilton  
**RE:** Comprehensive Transportation Fund Revenue Issues

### ***CTF Overview***

The Comprehensive Transportation Fund (CTF) is a state-restricted fund created in Section 10b of Public Act 51 of 1951 (Act 51). The fund is restricted for public transportation purposes.<sup>i</sup>

Appropriations from the CTF are made in the annual state transportation budget. Appropriations support a number of public transportation programs in accordance with the provisions of Act 51. CTF-funded programs include targeted transit programs (e.g., transportation-to-work, specialized services), intercity bus, rail passenger, and rail freight programs, as well as funding for administration of the Michigan Department of Transportation's Bureau of Multi-modal Transportation Services.<sup>ii</sup> However, the largest share of CTF revenue is appropriated for capital and operating assistance to the state's 79 public transit agencies.<sup>iii</sup> A breakdown of the CTF-funded line items is shown in Appendix D at the end of this memo.

There are two primary sources of CTF revenue. Approximately two-thirds of total CTF revenue comes from a transfer from the Michigan Transportation Fund (MTF). The MTF transfer to the CTF will total an estimated \$168.6 million in the current fiscal year (FY 2004-05).<sup>iv</sup> The other major source of CTF revenue is an earmark of part of the sales tax levied on motor fuels, motor vehicles, and motor vehicle-related products. This earmark is commonly described as the "auto-related sales tax." For the current fiscal year, the auto-related sales tax earmark is estimated to total \$55.3 million. Interest on the CTF fund balance, and other miscellaneous revenue sources, account for the balance of CTF revenue. Based on Michigan Department of Treasury estimates (May 2005), CTF revenue will total \$224.9 million in the current fiscal year.

### ***FY 2004-05 CTF Revenue Estimate (5/2005)***

MTF Transfer .....	\$168,556,000
Auto-Related Sales Tax .....	55,290,000
Interest & Misc .....	<u>1,081,000</u>
CTF Total .....	\$224,927,000

### ***Pressure on CTF Revenue***

Like most state revenue in the transportation budget, CTF revenue is restricted. Restricted revenue, unlike state General Fund revenue, can only be used for specific purposes pursuant to the state constitution or statute. However, the restrictions on CTF revenue are somewhat different than the restrictions on other state-restricted revenue in the state transportation budget. These differences have made it easier to redirect CTF revenue from public transportation programs to highway programs, and to use CTF revenue to offset General Fund revenue in other budgets.

*MTF revenue transfer* – As noted above, the largest source of CTF revenue is a transfer from the MTF. The MTF is the main receiving and distribution fund for approximately \$2.0 billion in state-restricted transportation revenue. The two main sources of MTF revenue, motor fuel excise taxes and vehicle registrations taxes, are *constitutionally* restricted for transportation. Article IX, Section 9 of the 1963 Michigan Constitution indicates that these two revenue sources, "after payment of necessary collection

*expenses [shall] be used exclusively for transportation purposes as set forth in this section."* The section goes on to indicate that *not less than 90%* of revenue from motor fuel taxes and vehicle registration taxes shall be used for state and local roads, streets, and bridges. The section also provides that the balance, *if any*, of the revenue from motor fuel taxes and vehicle registration taxes, after the payment of necessary collection expenses, shall be used exclusively for comprehensive transportation purposes as defined by law.<sup>v</sup>

The constitutional language cited above effectively sets a funding floor for state and local highway and street programs of not less than 90% of motor fuel tax and vehicle registration tax revenue. There is no such funding floor for public transportation programs. The Constitution effectively creates a funding *ceiling* for public transportation programs of not more than 10% of motor fuel tax and vehicle registration tax revenue. As a result, the revenue from motor fuel taxes and vehicle registration taxes is *constitutionally* restricted for transportation, but the designation of a part of those taxes for public transportation purposes (in the CTF) is a *statutory* restriction only, as provided in Act 51.

On two recent occasions the Legislature has redirected revenue from the CTF to highway programs. In the FY 1997-98 state transportation appropriations act (SB 174, enacted as PA 117 of 1997), \$25 million was appropriated from the CTF fund balance for distribution to the State Trunkline Fund (STF), county road commissions, and cities and villages for road and bridge programs through the Act 51 distribution formula. In 2003, the Legislature amended Act 51 (SB 539, enacted as PA 151 of 2003) to make a one-time (FY 2003-04) redirection of \$10.0 million from the CTF's share of MTF revenue. The \$10.0 million was redirected from the CTF to the STF *"for capacity improvements to state trunk line highways."*

*Auto-related sales tax* – In addition to restricting the use of motor fuel taxes and vehicle registration taxes, Article IX, Section 9 of the Constitution provides that *not more than 25 percent* of auto-related sales taxes, after payment of necessary collection expenses, shall be used for comprehensive transportation purposes. Again, this constitutional language creates a ceiling for the CTF's portion of auto-related sales tax; there is no constitutional minimum. The current earmark of auto-related sales tax in the General Sales Tax Act is well below the 25% constitutional ceiling.

Prior to October 1, 2003, the General Sales Tax Act had earmarked 27.9% of 25% of the auto-related sales tax collected at 4% to the CTF. In 2003, the Legislature amended the General Sales Tax Act to reduce the CTF percentage share for two fiscal years only, FYs 2003-04 and 2004-05. Public Act 139 of 2003 (SB 399) reduced the CTF's share of auto-related sales tax to 24% of 25% of the sales tax collected at 4%. This reduction in the CTF's percentage earmark effectively reduced CTF revenue by \$10.6 million and \$10.7 million in FYs 2003-04 and 2004-05, respectively.

In 2004, the Legislature again amended the General Sales Tax Act (SB 1104, enacted as PA 544 of 2004) to redirect an additional \$10.0 million from the CTF in FY 2004-05. The amendments to the General Sales Tax Act noted above were made in response to the state's General Fund budget problems. These amendments effectively redirected revenue from the CTF to the state General Fund.<sup>vi</sup>

The reduction in the CTF's share of auto-related sales tax made in PA 139 of 2003 was for a two-year period only: FYs 2003-04 and 2004-05. However, the Governor's FY 2005-06 budget proposal would extend the percentage reduction through FY 2005-06. A bill to amend the General Sales Tax to extend the percentage reduction has not yet been introduced.

A five-year analysis of CTF revenue, including statutory changes affecting the CTF, is shown in Exhibit A.

### ***CTF Revenue Issues***

*FY 2004-05* – In May 2005 the Michigan Department of Treasury lowered its estimates of CTF revenue for FY 2004-05 (as well as FY 2005-06). As a result, current-year CTF appropriations are now out-of-balance with projected revenue. While current-year CTF revenue is estimated to be \$224.9 million, appropriations from the CTF total \$232.3 million – a difference of \$7.3 million. The unreserved CTF fund balance is not sufficient to make up this difference. The State Budget Office has not requested a negative supplemental to address this revenue short-fall. Instead, the State Budget Office has instructed the Michigan Department of Transportation to reduce allotments for certain CTF-funded line items by a total of \$5.3 million. The State Budget Office also anticipates recognizing \$1.7 million in CTF lapses from prior year obligations.

*FY 2005-06* – Because of the lowered CTF revenue estimates noted above, the State Budget Office revised the Executive budget recommendation for FY 2005-06. The revised Executive recommendation would reduce CTF appropriations by \$5.0 million from the amount first proposed in the Executive's February 2005 budget presentation.

*Proposed House/Senate CTF Reductions* – It is our understanding that there is a proposal to redirect an additional \$10.0 million of auto-related sales tax from the CTF to the state General Fund. This proposed redirection, beginning in FY 2005-06, would offset General Fund revenue reductions resulting from House-proposed changes to the Single Business Tax (HB 4922, HB 4972, and HB 4973). A bill to amend the General Sales Tax Act has not yet been introduced to effect this change.

The House-passed FY 2005-06 omnibus budget bill (HB 4831) did not reflect the proposed \$10.0 million reduction in CTF revenue. However, the Senate-passed transportation budget bill (SB 281) did reduce CTF appropriations by \$10.0 million from the amounts proposed in the original Executive recommendation (\$5.0 million less than the revised Executive recommendation).

Exhibit B updates the five-year analysis of CTF appropriations to show proposed Executive revisions for FYs 2004-05 and 2005-06. Exhibit C shows the proposed Executive revisions for FY 2004-05 and Senate proposed appropriations for FY 2005-06.

Exhibit D shows a five-year history of CTF appropriation line items including State Budget Office proposed revisions for FYs 2004-05 and 2005-06.

### ***Summary***

There is no state General Fund revenue appropriated in the state transportation budget. Most of the state revenue in the transportation budget is constitutionally restricted for transportation and can not be used to offset shortfalls in the state General Fund. However, the specific restrictions on the use of the CTF revenue for public transportation purposes are statutory only, not constitutional. CTF revenue can be transferred to other purposes by amendment to statute or, under certain circumstances, through Executive Order. As a result, there may be continuing pressure to redirect CTF revenue to other purposes as public transportation competes with other priorities in the transportation budget and with General Fund programs in other budgets.

For a discussion of the impacts of CTF revenue reductions on public transportation programs, see our companion memo, "State Support for Local Public Transit," dated August 4, 2005.

## Exhibit A

Comprehensive Transportation Fund					
FY 2001-02 through FY 2005-06					
<div>HOUSE</div> <div><b>FISCAL</b></div> <div>AGENCY</div>					
<b>Exhibit A -- Original Executive Recommendation</b>					
<i>This table shows actual CTF revenue for FYs 2001-02 through 2003-04, and estimated revenue for FYs 2004-05 and 2005-06.</i>					
<i>FY 2001-02 to FY 2004-05 appropriations are based on actual YTD authorizations.</i>					
<i>FY 2005-06 appropriation amount based on original Executive recommendation.</i>					
	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
	Actual	Actual	Actual	Est. 05/27/05	Est. 05/27/05
<b>MTF transfer</b>	\$159,772,355	\$163,744,307	\$176,168,538	\$168,556,032	\$172,592,502
CTF to STF (SB 539) <sup>1</sup>			(10,000,000)		
<b>MTF Subtotal</b>	\$159,772,355	\$163,744,307	\$166,168,538	\$168,556,032	\$172,592,502
<b>Auto-Related Sales Tax</b>	\$78,819,126	\$79,440,334	\$75,515,900	\$76,000,000	\$77,000,000
EO 2001-9 <sup>2</sup>	(12,750,000)				
SB 399 <sup>3</sup>			(10,556,000)	(10,710,000)	
SB 1103 <sup>4</sup>				(10,000,000)	
Executive proposal for FY 2005-06 <sup>5</sup>					(10,763,000)
<b>Sales Tax Subtotal</b>	\$66,069,126	\$79,440,334	\$64,959,900	\$55,290,000	\$66,237,000
<b>Interest</b>	726,800	326,600	97,844	61,000	136,000
<b>Miscellaneous</b>	323,233	2,796,712	4,424,986	1,020,000	1,220,000
<b>Total CTF Revenue</b>	\$226,891,514	\$246,307,953	\$235,651,268	\$224,927,032	\$240,185,502
<b>Revenue difference from prior year</b>		\$19,416,439	(\$10,656,685)	(\$10,724,236)	\$15,258,470
<b>CTF Appropriations</b>	\$237,900,400	\$239,751,000	\$246,328,500	\$232,276,600	\$245,251,300
<b>Revenue/Appropriation Difference</b>	(\$11,008,886)	\$6,556,953	(\$10,677,232)	(\$7,349,568)	(\$5,065,798)
<b>Unreserved CTF Fund Balance at 9/30</b>	\$98,000	\$5,507,000	\$133,000		
<b>Notes:</b>					
1. SB 539 reduced CTF share of MTF distribution by one-time \$10.0 million and redirected to State Trunkline Fund.					
2. Executive Order 2001-9 redirected \$12.75 million auto-related sales tax to General Fund.					
3. SB 399 reduced CTF share of auto-related sales tax from 27.9% of 1% (25% of tax at 4%) to 24% of 1% for two years.					
4. SB 1103 made a one-time reduction of \$10.0 million in CTF share of auto-related sales tax.					
5. Executive proposes extending % reduction into FY 2005-06.					
The reductions in CTF share of auto-related sales tax were redirected to state General Fund.					

## Exhibit B

Comprehensive Transportation Fund					
FY 2001-02 through FY 2005-06					
<div>HOUSE</div> <div><b>FISCAL</b></div> <div>AGENCY</div>					
<b>Exhibit B -- FY 2005-06 Revised Executive Recommendation</b>					
<i>This table shows actual CTF revenue for FYs 2001-02 through 2003-04, and estimated revenue for FYs 2004-05 and 2005-06.</i>					
<i>FY 2001-02 to FY 2004-05 appropriations are based on actual YTD authorizations.</i>					
<i>The table also shows State Budget Office proposed reduction in FY 2004-05 allotments</i>					
<i>and State Budget Office revisions to FY 2005-06 Executive recommendation.</i>					
	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
	Actual	Actual	Actual	Est. 05/27/05	Est. 05/27/05
<b>MTF transfer</b>	\$159,772,355	\$163,744,307	\$176,168,538	\$168,556,032	\$172,592,502
CTF to STF (SB 539) <sup>1</sup>			(10,000,000)		
<b>MTF Subtotal</b>	\$159,772,355	\$163,744,307	\$166,168,538	\$168,556,032	\$172,592,502
<b>Auto-Related Sales Tax</b>	\$78,819,126	\$79,440,334	\$75,515,900	\$76,000,000	\$77,000,000
EO 2001-9 <sup>2</sup>	(12,750,000)				
SB 399 <sup>3</sup>			(10,556,000)	(10,710,000)	
SB 1103 <sup>4</sup>				(10,000,000)	
Executive proposal for FY 2005-06 <sup>5</sup>					(10,763,000)
<b>Sales Tax Subtotal</b>	\$66,069,126	\$79,440,334	\$64,959,900	\$55,290,000	\$66,237,000
<b>Interest</b>	726,800	326,600	97,844	61,000	136,000
<b>Miscellaneous</b>	323,233	2,796,712	4,424,986	1,020,000	1,220,000
<b>Total CTF Revenue</b>	\$226,891,514	\$246,307,953	\$235,651,268	\$224,927,032	\$240,185,502
<b>Revenue difference from prior year</b>		\$19,416,439	(\$10,656,685)	(\$10,724,236)	\$15,258,470
<b>CTF Appropriations</b>	\$237,900,400	\$239,751,000	\$246,328,500	\$232,276,600	\$245,251,300
<b>Executive Revision <sup>6</sup></b>				(5,340,200)	(5,034,200)
<b>Appropriations as revised</b>	\$237,900,400	\$239,751,000	\$246,328,500	\$226,936,400	\$240,217,100
<b>Revenue/Appropriation Difference</b>	(\$11,008,886)	\$6,556,953	(\$10,677,232)	(\$2,009,368)	(\$31,598)
<b>Unreserved CTF Fund Balance at 9/30</b>	\$98,000	\$5,507,000	\$133,000		
<b>Notes:</b>					
1. SB 539 reduced CTF share of MTF distribution by one-time \$10.0 million and redirected to State Trunkline Fund.					
2. Executive Order 2001-9 redirected \$12.75 million auto-related sales tax to General Fund.					
3. SB 399 reduced CTF share of auto-related sales tax from 27.9% of 1% (25% of tax at 4%) to 24% of 1% for two years.					
4. SB 1103 made a one-time reduction of \$10.0 million in CTF share of auto-related sales tax.					
5. Executive proposes extending % reduction into FY 2005-06.					
6. On 6/27/2005 the Executive revised its FY 2005-06 recommendation and reduced current year allotments.					
The reductions in CTF share of auto-related sales tax were redirected to state General Fund.					

## Exhibit C

Comprehensive Transportation Fund				HOUSE <b>FISCAL</b> AGENCY	
FY 2001-02 through FY 2005-06					
<b>Exhibit C -- FY 2005-06 Senate Recommendation</b>					
This table shows actual CTF revenue for FYs 2001-02 through 2003-04, and estimated revenue for FYs 2004-05 and 2005-06.					
FY 2001-02 to FY 2004-05 appropriations are based on actual YTD authorizations.					
The table also shows State Budget Office proposed reduction in FY 2004-05 allotments					
and Senate proposed reductions to FY 2005-06 Executive recommendation.					
	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
	Actual	Actual	Actual	Est. 05/27/05	Est. 05/27/05
MTF transfer	\$159,772,355	\$163,744,307	\$176,168,538	\$168,556,032	\$172,592,502
CTF to STF (SB 539) <sup>1</sup>			(10,000,000)		
MTF Subtotal	\$159,772,355	\$163,744,307	\$166,168,538	\$168,556,032	\$172,592,502
Auto-Related Sales Tax	\$78,819,126	\$79,440,334	\$75,515,900	\$76,000,000	\$77,000,000
EO 2001-9 <sup>2</sup>	(12,750,000)				
SB 399 <sup>3</sup>			(10,556,000)	(10,710,000)	
SB 1103 <sup>4</sup>				(10,000,000)	
Executive proposal for FY 2005-06 <sup>5</sup>					(10,763,000)
Single Business Tax Revenue Shift <sup>6</sup>					(10,000,000)
Sales Tax Subtotal	\$66,069,126	\$79,440,334	\$64,959,900	\$55,290,000	\$56,237,000
Interest	726,800	326,600	97,844	61,000	136,000
Miscellaneous	323,233	2,796,712	4,424,986	1,020,000	1,220,000
Total CTF Revenue	\$226,891,514	\$246,307,953	\$235,651,268	\$224,927,032	\$230,185,502
Revenue difference from prior year		\$19,416,439	(\$10,656,685)	(\$10,724,236)	\$5,258,470
CTF Appropriations	\$237,900,400	\$239,751,000	\$246,328,500	\$232,276,600	\$245,251,300
Executive Revision				(5,340,200)	
Senate Bill 281					(10,000,000)
As Revised <sup>7</sup>	\$237,900,400	\$239,751,000	\$246,328,500	\$226,936,400	\$235,251,300
Revenue/Appropriation Difference	(\$11,008,886)	\$6,556,953	(\$10,677,232)	(\$2,009,368)	(\$5,065,798)
Unreserved CTF Fund Balance at 9/30	\$98,000	\$5,507,000	\$133,000		
Notes:					
1. SB 539 reduced CTF share of MTF distribution by one-time \$10.0 million and redirected to State Trunkline Fund.					
2. Executive Order 2001-9 redirected \$12.75 million auto-related sales tax to GF/GP.					
3. SB 399 reduced CTF share of auto-related sales tax from 27.9% of 1% (25% of tax at 4%) to 24% of 1% for two years.					
4. SB 1103 made a one-time reduction of \$10.0 million in CTF share of auto-related sales tax.					
5. Executive proposes extending % reduction into FY 2005-06.					
6. A proposed SBT package includes redirection of \$10.0 million from auto-related sales tax to offset General Fund reductions.					
7. The FY 2005-06 appropriation amount reflects the Senate-passed appropriation bill, SB 281.					
The reductions in CTF share of auto-related sales tax were redirected to state General Fund.					

## Exhibit D

Comprehensive Transportation Fund Appropriations									
FY 2001-02 through FY 2005-06									
Line Item	FY 2001-2	FY 2002-3	FY 2003-4	FY 2004-5	SBO Allotment Reduction	FY 2004-5 Available	FY 2005-6 Exec. Rec.	SBO Budget Revision	FY 2005-6 As Revised
	As Appropriated	As Appropriated	As Appropriated	As Appropriated					
<b>Debt Service/Planning/Administration</b>									
Debt Service	21,798,600	21,491,900	28,720,500	28,494,000	(2,225,000)	26,269,000	28,843,600		28,843,600
IDGs	354,300	324,900	345,900	323,900		323,900	334,100		334,100
Administrative Services	1,182,700	1,599,000	1,382,900	1,336,200		1,336,200	1,161,200		1,161,200
Info Technology	0	240,900	240,900	224,900	(160,000)	64,900	230,800		230,800
Planning	2,024,900	1,168,000	1,033,300	1,260,300	(300,000)	960,300	1,260,300		1,260,300
UPTRAN/Multi-Modal (administration)	6,863,600	6,953,900	4,952,600	5,488,000		5,488,000	5,864,500		5,864,500
subtotal	32,224,100	31,778,600	36,676,100	37,127,300	(2,685,000)	34,442,300	37,694,500	0	37,694,500
<b>Statutory Operating</b>									
Local Bus Operating	159,500,000	160,000,000	161,680,000	161,680,000		161,680,000	163,276,100	0	163,276,100
<b>Intercity Passenger &amp; Freight</b>									
Freight property management	1,774,000	1,500,000	1,500,000	1,000,000		1,000,000	1,000,000		1,000,000
Detroit/Wayne County port authority	468,500	500,000	500,000	500,000		500,000	500,000		500,000
Intercity bus equipment	1,000,000	2,000,000	2,000,000	1,500,000	(235,120)	1,264,880	1,500,000	(700,000)	800,000
Rail passenger service	6,922,000	8,300,000	8,300,000	7,200,000		7,200,000	7,200,000		7,200,000
Freight preservation and development	7,668,800	3,592,900	3,592,900	2,342,900	(704,662)	1,638,238	2,342,900	(500,000)	1,842,900
Rail infrastructure loan program	0	100,000	100,000	100,000		100,000	100,000		100,000
Intercity bus service development	1,200,000	1,300,000	1,300,000	1,300,000	(184,500)	1,115,500	1,300,000		1,300,000
Marine passenger service	300,000	800,000	800,000	800,000	(341,166)	458,834	800,000	(400,000)	400,000
Terminal development	1,428,300	2,884,800	2,884,800	1,551,300	(1,184,483)	366,817	1,551,300	(700,000)	851,300
subtotal	20,761,600	20,977,700	20,977,700	16,294,200	(2,649,931)	13,644,269	16,294,200	(2,300,000)	13,994,200
<b>Public Transportation Development</b>									
Specialized services	3,939,500	3,939,500	3,939,500	3,600,100		3,600,100	3,600,100		3,600,100
Municipal credit program	2,000,000	2,000,000	2,000,000	2,000,000		2,000,000	2,000,000		2,000,000
Bus capital	14,959,500	13,699,500	14,549,500	8,000,000		8,000,000	18,811,400	(2,459,200)	16,352,200
Ride sharing	330,700	330,700	330,700	0		0	0		0
Van pooling	195,000	195,000	195,000	195,000		195,000	195,000	(195,000)	0
Bus property management	40,000	50,000	50,000	0		0	0		0
Service development and new technology	170,000	200,000	200,000	0		0	0		0
Planning grants	80,000	80,000	80,000	80,000	(5,269)	74,731	80,000	(80,000)	0
Audit settlements	100,000	150,000	150,000	0		0	0		0
Regional service coordination	100,000	500,000	500,000	0		0	0		0
Work first initiative	3,500,000	5,850,000	5,000,000	3,300,000		3,300,000	3,300,000		3,300,000
subtotal	25,414,700	26,994,700	26,994,700	17,175,100	(5,269)	17,169,831	27,986,500	(2,734,200)	25,252,300
Total Appropriation	\$ 237,900,400	\$ 239,751,000	\$ 246,328,500	\$ 232,276,600	\$ (5,340,200)	\$ 226,936,400	\$ 245,251,300	\$ (5,034,200)	\$ 240,217,100
The above table shows line-item appropriations from the CTF, excluding federal aid, local revenue, or other fund sources.									

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Endnotes:

<sup>i</sup> Section 10c(h) of Act 51 provides the following definition of public transportation:

*"Public transportation", "comprehensive transportation", "public transportation service", "comprehensive transportation service", "public transportation purpose", or "comprehensive transportation purpose" means the movement of people and goods by publicly or privately owned water vehicle, bus, railroad car, aircraft, rapid transit vehicle, taxicab, or other conveyance which provides general or special service to the public, but not including charter or sightseeing service or transportation which is exclusively for school purposes. Public transportation, public transportation services, or public transportation purposes; and comprehensive transportation, comprehensive transportation services, or comprehensive transportation purposes as defined in this subdivision are declared by law to be transportation purposes within the meaning of section 9 of article IX of the state constitution of 1963.*

<sup>ii</sup> In addition to appropriations in state transportation budgets, CTF revenue has also been used as a fund source in recent Capital Outlay budgets. The CTF provided funding for expansion of the Detroit/Wayne County Metro Airport (Midfield Terminal) in Capital Outlay appropriations from FY 1995-96 through FY 2002-03. These appropriations included \$9.6 million in direct CTF support, and \$15.7 million in CTF-supported bond proceeds. In addition, the FY 2003-04 Capital Outlay bill, HB 4386 (PA 193 of 2003), included \$130,000 in CTF funding for repairs to the British Island dock on Mackinac Island.

<sup>iii</sup> Local bus operating assistance represents approximately two-thirds of CTF-funded appropriations.

<sup>iv</sup> As provided in Section 10(1) (f) of Act 51, the CTF receives 10% of net MTF revenue after other statutory deductions and distributions from the MTF (to other transportation funds and programs). As a result, the CTF's share of gross MTF revenue is approximately 8%. Advocates for public transportation programs have argued that Act 51 should be amended so that the CTF receives "the full 10%" of MTF revenue, i.e. the 10% MTF transfer would be made prior to other statutory deductions from the MTF. This would result in an increase in CTF revenue of approximately \$30.0 million per year, with a corresponding decrease in revenue for state and local highway programs.

<sup>v</sup> The provisions of Article IX, Section 9 of the 1963 Constitution as first ratified are substantially the same as those of Article X, Section 22 of the 1908 Michigan Constitution which also provided for earmarking of fuel taxes and registration taxes for highway purposes. At the November 7, 1978 general election, Michigan voters ratified House Joint Resolution F which amended Article IX, Section 9 to substitute "transportation purposes" for "highway purposes" in the first paragraph, and to add the second, third, and fourth paragraphs to the section to set a 90% floor for road and bridge funding, to address the use of revenue for comprehensive transportation purposes, and to authorize the issuance of debt secured by state-restricted transportation revenue.

<sup>vi</sup> In addition to the amendments to the General Sales Tax Act noted above, Executive Order 2001-9 redirected \$12,750,000 of auto-related sales tax from the CTF to the state General Fund to offset reductions in General Fund revenue.